

# City of Detroit

## CITY COUNCIL

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TO: Delbert Brown, Director  
Airport Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: May 4, 2007

RE: 2007-2008 Budget Analysis

14.

Attached is our budget analysis regarding your department's budget for the upcoming 2007-2008 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

### Attachment

cc: Councilmembers  
Council Divisions  
Auditor General's Office  
Roger Short, Finance Department Director  
Pamela Scales, Budget Department Director  
Ron Chenault, Budget Department Team Leader  
Kandia Milton, Mayor's Office

## Airport (10)

### FY 2007-2008 Budget Analysis by the Fiscal Division

#### Summary

The Airport is an Enterprise Fund Agency. The recommended 2007-2008 budgeted appropriations total \$3.1 million, which represents a \$4.3 million decrease over the current fiscal year budget of \$7.4 million. The Airport received a \$900,000 General Fund Subsidy that increased their current fiscal year's budget from \$6.5 million to \$7.4 million to cover a shortfall in their operating budget. Operating appropriations are budgeted at \$2.1 million for fiscal year 2007-2008, which is a decrease of \$312,863 or 12.8% from the adjusted appropriations of the current fiscal year. Revenue appropriations for fiscal year 2007-2008 are \$1.5 million, which is the same as the current fiscal year.

The subsidy came from \$1.0 million the City received from the landlord of the Cadillac Tower via the Cadillac Tower lease deal. These funds are from a non-tax source and thus the subsidy to the department has a net tax cost to the City of zero.

#### 2006-2007 Surplus/(Deficit)

There is no surplus or deficit projected for the Airport in fiscal year 2006-2007. The Airport would have had a \$900,000 deficit for the fiscal year 2006-2007 if City Council had not approved a non-tax subsidy that eliminated the deficit.

#### Overtime

There is \$7,141 of overtime in the 2006-2007 approved budget for the Airport. Through March 31, 2007, the Airport spent \$9,418 on overtime. For the fiscal year 2007-2008 budget, the Mayor has recommended \$8,618 for budgeted overtime, an increase of \$1,477 or 20.7% from the approved budgeted amount in fiscal year 2006-2007.

#### Personnel and Turnover Savings

There are no projected turnover savings for the Airport. The Mayor's 2007-2008 Proposed Budget does not eliminate any positions at the Airport.

	Budgeted	Filled	Mayor's	Over/(Under)	Mayor's
	Positions	Positions	Budget	Actual to	Recommended
<u>Appropriation/Program</u>	<u>FY 2006-07</u>	<u>3/31/2007</u>	<u>FY 2007-08</u>	<u>06/07 Budget</u>	<u>Turnover</u>
<b>Airport (10):</b>					
100010 Administration	3	3	3	0	\$ -
100020 Maintenance	3	0	3	(3)	\$ -
100030 Operations	2	2	2	0	\$ -
100040 Public Safety	0	0	0	0	\$ -
<b>00223 Airport Operations</b>	<b>8</b>	<b>5</b>	<b>8</b>	<b>(3)</b>	<b>\$ -</b>
10XXXX Worker's Comp.	0	0	0	0	\$ -

10XXXX Unmatched Positions	<u>0</u>	<u>7</u>	<u>0</u>	<u>7</u>	\$ <u>          </u> -
<b>TOTAL</b>	<b><u>8</u></b>	<b><u>12</u></b>	<b><u>8</u></b>	<b><u>4</u></b>	<b>\$ <u>          </u> -</b>

### Proposed Layoffs and Vacant Position Reductions

The budgeted number of positions at the Airport remains the same as in the 2007-2008 budget.

### Significant Funding by Appropriation

<u>Appro.</u>	<u>Program</u>	
00223	Airport Operations	<p>The Mayor's 2007-2008 Proposed Budget includes \$2,129,247 for Airport Operations. This is a decrease of \$312,863 from the fiscal year 2006-2007 budget as amended.</p> <p>The decrease is based on the one-time \$900,000 subsidy from fiscal year 2006-2007 being eliminated in the fiscal year 2007-2008 budget. Additionally, there is a slight increase in administrative cost of \$58,143; an increase in maintenance cost of \$534,029 and a slight decrease in operation of \$5,035. The net affect of all these items is a decrease of \$312,863 in Airport Operations.</p>
10280	Airport GO Bonds	The Mayor's 2007-2008 Proposed Budget does not include the sale of Airport GO Bonds
10589	Airport Projects GO-Bonds	<p>The Mayor's 2007-2008 Proposed Budget includes \$1 million worth of bond sales for Airport renovations.</p> <p>The Airport will use the funds for the construction of replacement T-Hangers and the site preparation and taxistreet improvements required prior to construction. Once the project is completed, it will create lease space and increase the revenue generation capacity of the Airport.</p>

### **Airport (10)**

Budgeted Professional and Contractual Services by Activity	FY 2006-07 <u>Budget</u>	FY 2007-08 <u>Recommended</u>	Increase (Decrease)
Airport Operations	\$ <u>59,201</u>	\$ <u>63,701</u>	\$ <u>4,500</u>
<b>Total</b>	<b>\$ <u>59,201</u></b>	<b>\$ <u>63,701</u></b>	<b>\$ <u>4,500</u></b>

## Significant Revenue Changes by Appropriation and Source

Appro.   Program  
00223   Airport  
             Operations

The Mayor's 2007-2008 Proposed Budget includes revenues of \$2,129,247 for Airport Operations. This is a decrease of \$312,863 from the fiscal year 2006-2007 budget.

Although there was an increase in General Funds Contributions of \$582,137 there is a revenue decrease of \$312,863 because of a one-time subsidy issued during fiscal year 2006-2007 for \$900,000 that is not included in the 2007-2008 budget.

## Issues and Questions

1. The City is looking for a management company to run the Airport, if one is not found what do you feel is the next best option for the Airport?
2. What was the outcome of the RFQ issued seeking a management company for the Airport?
3. Has the FAA airport design standards hampered your ability to rejuvenate the Airport?
4. Are any carriers due to begin operation in fiscal year 2007-2008?
5. Budgeted positions for fiscal year 2006-2007 were eight employees. The actual number of employees at the Airport as of April 1, 2007, was twelve. Why are there more employees than provided for in the budget?
6. What is the Airport doing to increase revenues?
7. Are there any current projects going on with airlines or potential partnerships that might enhance Airport operations?
8. How is the Minitake project progressing?
9. How often is Hanger 11 rented out through out the year?
10. Will the City be responsible for paying back federal grant funds used to expand the runway if the City closes the Airport to air traffic?
11. Why did the department request \$16.7 million in capital improvements (page 10-1)?
12. The department requested \$978,736 for the General Fund Support (page 10-1). Is this more realistic, given Council's recently approved budget amendment of \$900,000, than the Mayor's recommended amount of \$582,137 for 2007-08?
13. Does the department envision the City still retaining ownership of the Airport assets while entertaining a public/private partnership for the daily operations of the Airport? What are the typical models for public/private partnerships the department is aware of in recent years throughout the U.S.?